

CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

*Defense*  
DDI # 701-77

Executive Registry

77-3418/A

1 MAR 1977

MEMORANDUM FOR: The Honorable Harold Brown  
The Secretary of Defense

SUBJECT : NATO/Warsaw Pact Defense Spending

1. Thank you for your thoughtful letter of 15 February. We are pleased that you see our comparative analysis of US and USSR defense activities as being important. This analysis is the result of a high priority effort which has been underway for more than a decade involving a substantial amount of both collection and analytical resources.

2. Further, I hasten to accept your assessment that similar comparative costing of NATO and Warsaw Pact military activities is of particular interest and importance today. I believe that we can meet your deadline of mid-April with rough comparisons of the dollar costs of total defense activities of the non-US NATO and non-Soviet Warsaw Pact (NSWP) nations. The estimates for the NSWP countries would have to be based on their announced defense budget figures, however, and thus would be subject to a much wider range of uncertainty than our estimates for the USSR. The estimates for NATO would also have to be based on budgetary data but would have a smaller range of uncertainty than those for the NSWP countries. We could also do a direct costing of pay and allowance costs based on available estimates of military manpower within the required time frame.

3. To develop more confident estimates of the costs of total defense activities and useful comparisons of military investment and non-personnel operating costs will require a sizable research effort. Unfortunately the physical data bases on deployed forces, weapons production,

operating practices, and military research and development necessary for such a study do not now exist in the required detail. Though it will mean reprogramming resources, if it is considered necessary we are willing to undertake the effort to collect the data which is needed. Even so, the task will take some time as well as effort both now and in the future if interest in this topic continues. We could probably develop an initial, preliminary comparison by late fall.

4. I should caution you that devoting extensive resources to this task will have to be at the expense of ongoing work on US/USSR comparative analysis and other priority tasks, since the work will fall on the units now engaged in those activities. In addition we would need your assistance in developing the NATO data base. This would entail your making personnel with knowledge of NATO forces and budgets available to work with us in the preparation of the initial estimate.

5. In view of the complexity of the task and the amount of resources involved, I propose that your specialists and mine get together to work out the details of where we go from here. If this meets with your approval please have your point of contact notify Mr. [redacted], Chairman of the CIA/DIA Military Costing Review Board, on [redacted] and we will begin the work.

/s/ E. H. Knoche

E. H. Knoche  
Acting Director

Copies furnished:  
Secretary of State  
Assistant to the President  
for National Security Affairs  
Chairman, Joint Chiefs of Staff

SUBJECT: NATO/Warsaw Pact Defense Spending

CONCUR:

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Deputy Director for Intelligence

28 FEB 1977

Date

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*DR/OSR*

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*D/* [Signature]  
Executive Secretary  
17 Feb 77  
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THE SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

FEB 15 1977

MEMORANDUM FOR THE ACTING DIRECTOR, CENTRAL INTELLIGENCE

SUBJECT: NATO/Warsaw Pact Defense Spending

This memorandum reaffirms the importance the Department of Defense attaches to both the continuation of the CIA's recent efforts to systematically compare U.S. and Soviet military programs and to the expansion of such efforts to include other countries important to U.S. national security planning. Comparative costing of NATO and Warsaw Pact military programs is of particular near term importance.

CIA's dollar cost comparisons of U.S. and Soviet defense activities have become a focal point of attention in the current public discussion of trends in the military balance. Unfortunately one result of this highlighting of U.S. and Soviet efforts has been a de facto de-emphasis of the relative defense contributions of the non-US NATO and non-Soviet Warsaw Pact nations.

In line with the Carter administration's stated intention of increasing the U.S. commitment to NATO I believe it is important that we start to place examination of the military balance into better perspective by ensuring adequate attention to NATO vs. Warsaw Pact. Accordingly, I request that you initiate work to develop a dollar cost comparison of total NATO and total Warsaw Pact defense activities using a methodology as similar as feasible to that employed for the US/USSR analysis.

I recognize there are some difficult methodological and data problems associated with this effort. Aside from the difficulties of cost comparisons in different economic systems and the question of how cost translates into effectiveness in a given country, any use of the results would also have to examine questions of additivity of capability in each alliance. Among other matters this involves the degree of common planning, interoperability, and reliability of the forces. Nevertheless, it would be most desirable to have an interim report, even if its conclusions are tentative, completed by mid-April 1977 for use in preparing for the Spring NATO ministerial meetings. My staff will of course make available to you any relevant data on allied forces which may be in hand.

If this deadline is too constraining for a complete analysis, initial efforts should be focused on comparisons of military investment (RDT&E, procurement of weapons and equipment, and construction of facilities), with personnel and other operating costs to follow by mid-May.

*Harold Brown*

cc: Secretary of State  
Assistant to the President for  
National Security Affairs  
Chairman, Joint Chiefs of Staff

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